

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1713 – SB 1812

February 9, 2022

SUMMARY OF BILL: Authorizes the Utility Management Review Board (UMRB) to require a utility district to merge or consolidate with a financially distressed utility district.

Makes various changes to the process by which the UMRB addresses such a merger or consolidation. Clarifies that such a merger or consolidation approved by the UMRB is not subject to the petition, public hearing, or mayoral order requirements of the Utility District Law and is not subject to approval by the county legislative body. Details the process by which the surviving district may expand the size of the board of commissioners, subject to the UMRB's approval. Eliminates the requirement for the UMRB to contract with the consolidated utility system to provide for the repayment of any mitigation payments.

Creates the Utility District Revitalization Fund (Fund) within the State Treasury and requires the UMRB to administer the Fund for grants to utility districts that have merged or consolidated to mitigate the financial impact of the merger or consolidation.

Requires the UMRB to annually report to the commissioner of the Department of Finance and Administration (F&A) the status of the appropriations for the Fund and transmit a copy of the report to the Speaker of the House of Representatives, Speaker of the Senate, the State Treasurer, the Comptroller of the Treasury, the Office of Legislative Budget Analysis (OLBA), and the Secretary of State (SOS).

FISCAL IMPACT:

Increase State Revenue – \$2,000,000/FY22-23/Utility District Revitalization Fund

Increase State Expenditures – \$2,000,000/FY22-23/General Fund

Other Fiscal Impact – To the extent consolidated utility districts receive grants from the Fund, there will be an increase in local government revenue and an equivalent increase in state expenditures from the Utility District Revitalization Fund. However, due to multiple unknown variables, the extent and timing of such impacts cannot be reasonably determined.

The Governor's proposed budget for FY22-23, on page B-16, recognizes a one-time appropriation from the General Fund to the Utility District Revitalization Fund of \$2,000,000.

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Assumptions:

- Pursuant to Tenn. Code Ann. § 7-82-704(a), the UMRB has the authority to consider the consolidation of a financially distressed utility district with another utility district.
- The proposed legislation would authorize the UMRB to require the merger or consolidation of a financially distressed utility district with another utility district and changes the process by which such a merger or consolidation would occur. This situation occurs rarely and can be accomplished using existing resources, so any impact to state or local government is considered not significant.
- Pursuant to Tenn. Code Ann. § 7-82-704(b), the Board is authorized to develop a plan of mitigation payments, to be made from the Utility District Revitalization Fund, to consolidated utility systems to offset increased, otherwise unrecoverable costs relating to the consolidation. According to the Board, funding has never been appropriated to such fund.
- The proposed legislation formally creates the Fund, but does not require a recurring appropriation for it. The Governor's proposed budget for FY22-23, on page B-16, includes a one-time appropriation of \$2,000,000 to the Fund. Any additional funding transfers from the General Fund to the Fund in subsequent years will need to be appropriated by the General Assembly and cannot be quantified with reasonably certainty.
- To the extent consolidated utility districts receive grants from the Fund to offset the financial impact of the consolidation, there will be an increase in local government revenue and an equivalent increase in state expenditures from the Fund; however, due to unknown variables such as the dollar amount of each grant, the number of utility districts eligible for such grants, and the timing of those grants issued, a precise recurring increases in state expenditures and local government revenue cannot be reasonably determined.
- Requiring the UMRB to report the status of the appropriations for the Fund to the commissioner of F&A and transmit the report to the Speaker of the House of Representatives, Speaker of the Senate, the State Treasurer, the COT, the OLBA, and the SOS can be accomplished within existing resources and will not result in a significant impact to state expenditures.

IMPACT TO COMMERCE:

NOT SIGNIFICANT

Assumption:

- The proposed legislation will not result in any significant impact to commerce or jobs in Tennessee.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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